



Performance-Based Acquisition Working Group

*Recommendations
March 17, 2006*

These slides contain preliminary working group findings and recommendations for discussion purposes only. These preliminary findings and recommendations have not been approved by the Acquisition Advisory Panel.



The Panel's Mandate

SARA Legislative Mandate to Panel:

“... review all Federal acquisition laws and regulations, and, to the extent practicable, government-wide acquisition policies, with a view toward ensuring effective and appropriate use of commercial practices and performance-based contracting”

Working Group Statement of Issue:

“Why has Performance-based Services Acquisition not been fully implemented in the federal government?”



GAO Review of PBSA

“According to our reviews, agencies may have missed opportunities to take advantage of the benefits offered by...performance based service contracting, because of inadequate guidance and training, a weak internal control environment, limited performance measures, and data that agencies can use to make informed decisions.”

--Government Accountability Office
April 2003



When and How...Key Issue!

- Major inconsistencies in *how to define* PBC and *when to use* PBC (GAO 2002 Report)
 - Inconsistencies “raise concern as to whether agencies have a good understanding of performance-based contracting and how to take full advantage of it.”



Working Group Findings

- **#1. Despite OMB Target, Agencies Remain Unsure When to Use PBSA**
- **#2 PBSA Solicitations & Contracts Continue to Focus on Activities and Processes, Rather than Performance and Results**
- **#3 PBSA's Potential for Generating Transformational Solutions To Agency Challenges Remains Largely Untapped**
- **#4. Within Federal Acquisition Functions, There Still Exists a Cultural Emphasis on "Getting to Award"**



Working Group Findings, cont.

- **#5. Post-Award Contract Performance Monitoring and Management Needs to Be Improved**
- **#6. Most Contract Incentives Are Still Not Aligned to Maximize Performance and Continuous Improvement**
- **#7. FPDS Data Are Insufficient and Perhaps Misleading Regarding Use and Success of PBSA**



Three Major Recommendation Areas

▪ When to Use...

- #1. Revised PBA Quotas
- #2. OMB Guidance on When to Use and PBA "Opportunity Assessment" Tool
- #3. Agency Acquisition Performance Plans

▪ How to Use...

- #4. Best Practice Measures Guide
- #5. Baseline Performance Case Requirement
- #6. Performance Improvement Plan Requirement
- #7. OMB Guidance on Use of Incentives
- #8. Revised 7 Steps Process
- #9. Designation of COPR Role for PBA

▪ Data and Benefits...

- #10. A-PART Oversight Process
- #11. 5 Year Study of Proper Implementation...and Impacts



Recommendation 1: OMB's Government-Wide Quota of Requiring 40% of Acquisitions be Performance-based Should be Adjusted to Reflect Individual Agency Assessments and Plans for Using PBA

- PBA targets to be set by each agency, with review by OMB



Recommendation 2: OFPP Should Issue More Explicit Guidance and Create a PBA “Opportunity Assessment” Tool to Help Agencies Identify When They Should Consider Using Performance-based Acquisition



Two Categories of PBAs

Option 1: Transformational Performance-Based Acquisitions

- **When to Use:** Acquisitions involving services wherein the agency identifies a baseline need/problem, but is not in a position to specify the work that will be done. In this case, the agency should establish outcomes and allow vendors to offer unique (and potentially adjust post-award, subject to the cardinal-change doctrine) solutions proposing the specific approach to solving the baseline need/problem. The agency thus places the risk that the work being done may not solve the baseline need/problem squarely with the vendor.
- **What to Use:** Statement of Objectives
- **What to Measure:** Measurable performance standards would relate to the impact of the acquisition on the agency's need/problem, but not the work actually done by the vendor in solving the agency's need/problem.

Option 2: Transactional Performance-Based Acquisitions

- **When to Use:** Acquisitions involving services wherein the agency identifies a baseline need/problem, and has already substantially determined what work is to be done. In this case, the agency is more concerned with ensuring that work being done meets certain cost, quality or timeliness attributes. The agency is willing to assume the risk that the work being done may not solve the baseline need/problem.
- **What to Use:** Performance Work Statement
- **What to Measure:** Measurable performance standards would relate to the quality and attributes of the work actually done, with limited or no measurement on impact of work on agency's need/problem.



Opportunity Assessment Tool

OMB Would Create a Tool that Advises Agencies to Consider:

- whether a performance-related baseline problem exists (cost, quality, timeliness, impact to agency mission)
- the level of risk associated with the service not being optimally provided (importance to mission of the service being provided optimally);
- the level of confidence the agency has in its own "work statement" to solve the baseline problem;
- the amount of risk the agency wants to assume for managing the service impact on its own vs. shifting to a vendor;
- the readiness of the Program to measure the impact of the service on its program performance goals/mission, as well as the readiness of Program staff to participate in a PBA process



Recommendation 3: Require Agencies to Devise "Acquisition Performance Plans" to Guide their Acquisition Management

Key Elements of Agency Plans:

- **Alignment:** Identify the role of acquisition in achieving the agency's mission, with specific alignment to program goals and measures
- **Portfolio Assessment:** Include an assessment of the current service acquisition portfolio with a view on improving management and performance of current service contracts
- **Portfolio Projection:** Include an analysis of the projected agency service acquisition needs, taking into account program performance objectives, agency service challenges, and experiences of other federal agencies in using PBA techniques for similar services
- **Target and Schedule:** Establish a schedule of service areas that would be reviewed for PBA, including a target for the use of PBA for the acquisition of services
- **Workforce:** Identify the acquisition human capital needed to manage performance under the plan.



Recommendation 4: **Publish a Best Practice Guide on Development of Measurable Performance Standards for Contracts**

- **Measurement “Chain” or “Logic Model”** Performance measures should be defined using a structured framework
- **Baseline & Outcome Measure(s)**: PBA’s should be grounded in at least one or more measures that directly assess the agency’s baseline need/problem relating to
 - Improved performance toward program goals, including improved service levels or impact to agency customers, and/or
 - A major cost management issue facing the program, resulting in cost savings or enhanced ability by the program to operate in a more economical or efficient manner.



- **Contract Management and Monitoring Measures**: Other performance measures used in a PBA should relate to the work actually being done by the vendor—with particular focus not on effort or activities conducted, but actual service “attributes” such as:
 - Timeliness; Accessibility; Quality; Workload levels; and Economy
- **Subjective vs. Objective Measures**: Reflecting recent revisions in the FAR, the guidance should address when and how to use subjective performance measures, including customer satisfaction.
- **Limiting Measures**: The Panel endorses the use of sampling and “representative indices” to measure large service areas rather than measures for each service area.
- **Measurement Selection Process**: The guidance should provide helpful practices to guide the process by which measures are developed—ensuring that program and subject matter expertise are used to select measures.
- **Evolution of Measures**: Recognizing that the management of service acquisition is highly relationship-based, the guidance should address a process by which measures WILL and MUST change over time. (Subject to the cardinal change doctrine)



Recommendation 5: **Modify the FAR to Require Identification of the Government's Need/Requirements by Defining "Baseline Performance Case" in Measurable Terms Up Front**

- **Baseline Performance State:** Using the outcome performance measures, the agency would assess the current level of performance in a particular service area. In addition to measuring the baseline, some qualitative description of the performance problems/needs would be provided.
- **State-of-Practice:** The agency would describe the current "state-of-practice" in the service area as determined from its market research.
- **PBA Approach:** Based on the analysis described above, the agency would then select and justify either the use of a Transformational PBA or a Transactional PBA. The agency would also include the SOO or PWS.



Recommendation 6: **Improve Post-Award Contract Performance Monitoring and Management, Including Methods for Continuous Improvement and Communication through the Creation of a Contract-Specific "Performance Improvement Plan"**

- Include reporting of required performance standards under the QASP
- Suggest changes in work product to achieve improved performance and reflect changing circumstances, and
- Identify eligibility for contract incentives, if any.



Recommendation 7: **OFPP Should Provide Improved Guidance on Types of Incentives Appropriate for Various Contract Vehicles**

- A catalog of the various types of incentives appropriate for use in PBA efforts (both financial and non-financial),
- A critique of how such incentives are currently being applied in selected performance-based awards,
- An assessment of the applicability of award fee and award term approaches to performance based acquisitions (making it clear that while subjective, these techniques offer perfectly acceptable means for measuring performance), and,
- A discussion of challenges posed in managing PBAs under existing budget and appropriation rules that limit multi-year financial commitments and incentive-based budget projections.



Recommendation 8: **OFPP Should Revise the Seven Step Process to Reflect the Panel's new PBA Recommendations**

- **Agency Pre-Cursor: Acquisition Performance Plan (APP)**
- **Step 1: Designate COPR and Form the Team**
The modification of this step is meant to place more responsibility on the COPR to coordinate PBA planning.
- **Step 2: Assess Baseline Performance and Define Desired Outcomes**
The modification is meant to reinforce the practice of selecting outcome measures and assessing the existing baseline at the beginning of an acquisition—all with an eye toward improving the performance need/requirements definition.



- **Step 3: Examine Private Sector and Public Sector Solutions**

This step remains the same.

- **Step 4: Select Transformational or Transactional PBA Model**

This step reflects the two categories of PBA—part of an effort to move beyond a one-size-fits-all use of PBA and provide clarification on when to use a SOO vs. PWS.

- **Step 5: Narrowcast to Key Performance Indicators**

This refinement reflects the Panel's desire to limit the number of performance measures included in a PBA contract to a "sampling" or representative index of measures.

- **Step 6: Select the Right Contractor**

This step remains the same.

- **Step 7: Manage, Monitor and Improve Performance**

This step would be modified to include the establishment of milestones for the vendor to prepare "Performance Improvement Plans" as well as the agency's review and use of those plans to monitor and improve performance.



Recommendation 9:
Contracting Officer Technical
Representatives (COTR's) should
be re-designated as Contracting
Officer Performance
Representatives (COPR's) in PBAs

- Formal designation of COPR reinforces a culture change.
- Improved advanced training in performance management—particularly in the development of performance measures and post-award contract performance monitoring and management.
- DAU and FAI should jointly develop a formal educational certification program for those occupying the COPR position.
- For Transformational PBA's, every effort should be made to see that key staff include a certified project manager



Recommendation 10: **Improved Data on PBA Usage and Enhanced Oversight by OFPP on Proper PBA Implementation Using an “Acquisition Performance Assessment Rating Tool” A-PART**

- OFPP would develop a checklist that reflects how well a particular acquisition comports with the basic elements of the seven steps guide. Agencies would then fill out the checklist for each PBA.
- A methodological and accountable approach to PBA implementation not only provides better data, but also helps agencies learn how to implement PBA in a more structured and accountable manner. More rigor is needed in the early stages of PBA's implementation until agencies are comfortable and competent in the use of the tool.
- Each year OFPP should sample the A-PART documents to see if PBA implementation is in fact being handled properly in each agency.
- This requirement would sunset after three years, unless OMB and agencies felt the use of the A-PART process should continue.



Recommendation 11: **OFPP should undertake a systematic study on the challenges, costs and benefits of using performance-based acquisition techniques five years from the date of the Panel's delivery of its final report**

- More disciplined implementation and greater clarity on when and how to use PBA is the focus of Recommendations 1-9. Recommendation 10 then creates a data collection mechanism to track successful implementation.
- A systematic review of PBA implementation would offer a solid basis for concluding whether significant cost and programmatic benefits are in fact achieved through the adoption of performance-based acquisition methods.